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SUBJECT: ARMENIA MCA BI-WEEKLY UPDATE -- AUGUST 27, 2004

REF: YEREVAN 1771

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SUMMARY

11. (SBU) GOAM Poverty Reduction Strategy Paper (PRSP)
Secretariat Coordinator Hovik Azizyan confirmed to us during

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an informal meeting August 25 that the GOAM had pushed back its planned proposal submission schedule. Azizyan said the change was necessary due to the large number of proposed projects and activities stimulated by the local MCA consultative process. The MFE expects that the MCA Board of Trustees will be able to consider the MFE submission and submit a first draft of the MCA Board's Compact proposal to the MCC (with at least priority directions/sectors defined) by the end of September 2004. The GOAM then intends to invite the MCC representatives to Armenia to discuss the draft proposal. End Summary.

ARMENIANS LOOKING FORWARD TO INFO FROM "LESSONS LEARNED"

12. (SBU) We met with Ministry of Finance and Economy (MFE) PRSP Secretariat Coordinator Hovik Azizyan August 24 to discuss the MCA consultative process and prospects for the GOAM's compact proposal. Azizyan's comments indicated that the GOAM continued to focus on the MCA process even during the August vacation season and despite the absence of the MFE Deputy Minister who oversees these issues. Azizyan was aware of the upcoming meeting between MCC representatives and Senior Presidential Economic Advisor Vahram Nercissiantz scheduled for August 27. He said that the GOAM looked forward to hearing from the MCC about "lessons learned" from compact proposals already submitted by eligible countries. He acknowledged that any new information stemming from the August 27 meeting may affect the expected timing and/or substance of the GOAM's MCA Compact proposal.

PROPOSALS CONTINUE TO STREAM IN FROM THE PUBLIC

13. (SBU) The MFE continues to sort through numerous activity proposals generated by the MCA consultative process. Azizyan clarified that, following an initial cataloging and vetting by the MFE, the proposals are forwarded to the appropriate GOAM ministry for review and comment. The line ministries will then submit a summarized and rank-ordered version of all proposals to the MCA Board of Trustees no later than September 20, 2004. To accomplish this, the MFE had hoped to receive combined sector-specific proposals from the various ministries and other state agencies by August 20, 2004.

14. (SBU) According to Azizyan, several GOAM ministries and other state agencies have not yet submitted their combined proposals to the MFE, due mostly to the unexpectedly large number of proposals received from the public. According to the GOAM official, over 300 activity proposals have been received to date, and the escalating public interest in the MCA program probably would generate a significant number of new proposals before the GOAM's September 1, 2004 closing date for proposal submissions.

PROPOSALS FROM HI-TECH, ENVIRONMENTAL SECTORS SURPRISE GOAM

15. (SBU) The current proposal review process has revealed a greater level of interest in activities in the high technology and environmental sectors than was predicted earlier. These sectors, in addition to the project areas identified early on in the consultative process (education, health and other social sectors, roads, irrigation, dam construction, etc.) appear to be modifying the GOAM's

approach to the issue. Azizyan told us that the MFE is contemplating how it might add activities in these sectors to its eventual MCA compact proposal. He also noted that the MFE is discussing ways to consider the varying sectoral needs of each region when consolidating the proposals. (Comment: The need to be responsive to needs at the regional level has been a constant theme throughout the consultative process in Armenia's rural areas. This idea is clearly filtering up through the GOAM bureaucracy as well as the sense that a compact proposal that does not enjoy the support of the regional governments will pose problems for the GOAM. End Comment.)

16. (SBU) Azizyan also mentioned that the GOAM is concerned about the problem of potential negative reactions from groups whose proposals are ultimately not included in the final MCA Compact proposal. The high number and scope of proposals received already exceeds any amount that the GOAM believes Armenia can reasonably expect to receive under the MCA program. To address this, Azizyan said the GOAM intends to keep the public informed regarding the current status of proposals through various channels such as its website. He also said the GOAM would engage individuals or groups whose proposals were not included in a future compact with a full briefing on the GOAM's decision-making criteria.

TIMETABLE SHIFTS

17. (SBU) Azizyan said the MFE now expects to receive the combined sector-level input from various ministries by August 31. Nonetheless, the MFE's own timetable for its summarized and combined submission to the MCA the Board of Trustees remains the same (September 20). The MFE also expects that the MCA Board of Trustees will be able to consider the MFE submission and submit a first draft of the MCA Board's Compact proposal to the MCC (with at least priority directions/sectors defined) by the end of September 2004. The GOAM then intends to invite the MCC representatives to Armenia to discuss the draft proposal. Pending positive feedback from the MCC, the second phase of the consultative process will be initiated and the final version incorporating public feedback will be submitted to the MCC.

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